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American Petroleum Institute
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ESTIMATED U.S. PETROLEUM BALANCE

SUMMARY

Domestic products were supplied at a 283 thousand B/D (1.8%) lesser rate in July than a year ago. Gasoline and kerosine jet fuel were the only products showing an increase in deliveries. Fuel oils and the "other oils" category experienced substantial declines.

Crude production rose 73 thousand B/D over July 1984 levels; higher Alaskan production offset a continuing recent-month decline in lower 48 output. July imports decreased minimally from prior-year levels. Inventories rose a less-than-seasonal 9 million barrels from June levels; most product stocks increased but crude oil inventories fell some 19 million barrels. The level of refinery utilization continued to climb.

PRODUCTS SUPPLIED[1/]

Gasoline

UP CLOSE TO 3% OVER LAST YEAR.

The level of gasoline supplied rose 185 thousand B/D (2.7%) over last year's. When the roughly 45 thousand B/D attributable to additional reporting by blenders this year is considered that was not included in the July 1984 data, the resulting roughly 2% increase is about in line with prior months' results, when similarly adjusted.

Gasoline pump prices started to drift downward after mid-month, as supply from both production and imports increased. Narrowing of the leaded/unleaded price spread, which could have been related to higher costs incurred in connection with the July 1 mandatory reduction in lead levels in leaded gasoline, became widespread. As a result, pump prices for leaded gasoline rose slightly less than 1¢ per gallon. Prices for unleaded gasoline, however, were slightly lower, holding the July total gasoline price increase to about ¼¢ per gallon.

Unleaded gasoline represented close to 64% of the total gasoline market in July, little changed from the prior-month level but up about 4 percentage points from last July's.

Fuel efficiency increases have put a damper on the rise in gasoline demand. However, the substantial increase in the total vehicle fleet and increases in miles traveled resulting from the drop in gasoline prices over the past four years have had a larger impact on gasoline demand than the volume reduction caused by improved fuel efficiency.

Distillates

DOWN 4% COMPARED WITH LAST JULY.

Deliveries of distillates fell 99 thousand B/D (4.0%) in July from prior-year levels. Deliveries last July were 50-75 thousand B/D above the prevailing trend, accounting for as much as three-quarters of the year-to-year decline; the remainder is largely attributable to the drop in truck and rail traffic. On the basis of prior-months' trends, which evidence generally-deteriorating traffic levels as the economy cooled, truck traffic is estimated to have fallen 5-6% in July and rail traffic at an only slightly lesser rate.

Residual Fuel Oil

DOWN ALMOST 10%.

Deliveries of residual fuel oil fell 115 thousand B/D (9.6%) in July, compared with prior-year levels. Public records indicate that about 45 thousand B/D of residual fuel oil imported may have been subsequently rerun in refineries, and that the decline in resid demand may thus be correspondingly higher. Even with this adjustment, however, the year-to-year decline, while then more than 13%, is less than the average first-half decline, largely

as a result of substantial recent-month residual fuel oil price deterioration.

Change in energy input sources for the generation of electricity continues. It is interesting to note, for example, that, for the first four months of 1985, nuclear fuel rose about 14% over input during the corresponding period last year to a close-to-16% share of total, while petroleum input fell by more than 20% to a just-over-4% share.

In early March, with settlement of the U.K. coal strike, resid prices started to drop. Domestic prices experienced a slight recovery in June and early July from mid-May lows but then weakened again and have recently been some $5-6 per barrel below July 1984 levels. However, while all sectors of the resid market benefited from recent price drops, the industrial sector may have done so to a greater degree because of substantial dual-fuel capability.

Most recent deliveries data and a longer-term sectorial comparison appear to support that assumption. Using data for May that have now become available, it appears that the electric utilities' residual fuel oil purchases dropped about 120 thousand B/D in that month, while industrial demand rose a like amount compared with last year.

Comparing 5 months of 1985 with 5 months of 1983, it becomes evident that, over a longer-time period, roughly 70% of the 200 thousand B/D resid decline was experienced by the electric utilities, while the industrial sector accounted for about 20% of the decline. This caused the electric utilities' share of the resid market to drop by five percentage points to about 29%, while the industrial sector's share rose by about three points from 39% to 42%.

Natural gas prices, too, have been trending downward, registering lower prices than last year at both wholesale and retail marketing levels. However, the overall price decline has not been as sharp as resid's.

The only residual fuel market that has experienced increased demand this year is the bunker fuel market. Recent deliveries have been some 10-20 thousand B/D higher than last year.

Kerosine Jet Fuel

UP 5 %. July deliveries of kerosine jet fuel were about 48 thousand B/D (5.0%) higher than the year-earlier level, but, for the year to date, delivery levels are only minimally above last year's (15 thousand B/D or 1.6%). Based on preliminary data, "miles flown" levels, which had experienced declining rates of growth this year even before the United Airlines strike, are estimated to be 3%-4% ahead of last year for the January-through-July period.

The apparent gap between the movements of kerosine jet fuel deliveries and air traffic levels indicates that conservation efforts are continuing. In the early eighties, fuel costs were about 30% of total cash operating expenses. While kerosine jet fuel prices have declined by about one-third over the past four years, they are still considerably above levels of the early seventies. Though fuel costs, at a reported low-20's percentage level last year of total cash operating costs, were below recent-year levels, they still are at twice the rate prevailing in the early seventies.

Other Oils

DECLINED MORE THAN 6%. The level of "other oils" delivered fell 243 thousand B/D (6.1%) from last July's. A continued lower level of activity in the chemical sector is responsible for a decided downturn in petrochemical feedstock deliveries. Preliminary data indicate, however, that, while still considerably below last year's levels in the second quarter, the year-to-year decline in chemical industry sales was less than in the first quarter. It is estimated that this trend continued in July. Petrochemical deliveries fell more than 66 thousand B/D, or roughly 16%, for the first five months, but the downward trend is estimated to have since slackened somewhat.

Road oil and asphalt deliveries were about 27 thousand B/D (11%) greater than last year for the first 5 months, largely as a result of continued infusion of state and local funds into highway activities. However, allocation of substantial federal funds for highway construction and maintenance in March may by now have started to further benefit road oil and asphalt sales.

On the basis of prior trends, ethane and propane deliveries are estimated to have both fallen slightly in July compared with year-earlier levels. On a year-to-date basis, ethane is about 20-25 thousand B/D, or roughly 4% below last year, while propane continues to be at about the same deliveries level as last year.

(In millions of B/D)	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total domestic products supplied	15.2	15.5	(1.8)	15.5	15.8	(1.8)
—Motor gasoline supplied	7.0	6.8	2.7	6.8	6.6	2.1
—Distillate fuel oil supplied	2.4	2.5	(4.0)	2.9	2.9	(1.1)
—Residual fuel oil supplied	1.1	1.2	(9.6)	1.2	1.5	(17.3)

PETROLEUM SUPPLY[1/]

Total July supply was 178 thousand B/D larger than a year ago, essentially because of an increase in total domestic supply.

Production

UP NEARLY 1% OVER LAST YEAR'S LEVEL.

Crude oil production rose 73 thousand B/D over July 1984 levels, largely as a result of higher Kuparuk output. Production in the lower 48, which earlier had contributed to higher total U.S. output, fell some 50 thousand B/D in July. Lower production in major producing states is responsible for the drop. Output in Texas, for example, is estimated to have been down some 70 thousand B/D from year-earlier levels.

Imports

MINIMALLY LOWER THAN LAST YEAR.

Total imports fell 19 thousand B/D (0.4%), because lower crude oil imports more than offset a 6% increase in products imports. This is the eighth consecutive month that imports have been below year-earlier levels. July imports were well below what they likely would have been, had crude oil imports been sufficient to maintain crude stocks in the recently-prevailing range. However, continued price uncertainty during May and June, when arrangements for a good portion of crude shipments arriving in July were made, reduced purchases.

July gasoline and gasoline component imports are estimated to have reached a total of about 500 thousand B/D, about 170 thousand barrels higher than in July 1984. Distillate imports fell about 100 thousand B/D compared with year-earlier levels.

During May (the latest month available), Mexico led the list of petroleum importers into the U.S., followed by Canada, Venezuela, and the United Kingdom. Imports from the Persian Gulf area totaled less than 400 thousand B/D, some 300 thousand B/D below year-earlier levels. This is largely the result of a decline in crude imports from Saudi Arabia, which recently significantly lowered crude production. As a result, the area's May share of total imports fell to 7%, compared with last year's more than 11½% share. OPEC's total share of imports into the U.S. was about 34% in May, compared with about 45% last year.

Inventories

ROSE 9 MILLION BARRELS IN JULY.

Total petroleum inventories rose about 9 million barrels in July, little more than a third their historical advance for this time of year. About two-thirds of the 28 million barrel increase in total product inventories was offset by a 19 million barrel decrease in crude oil inventories.

Gasoline inventories, which, on average, undergo little change from June levels in July, rose more than 9 million barrels; they represent almost 33 days of supply, in line with the historical average for this time of year. The boost in gasoline inventories is the combined result of gasoline production some 400 thousand B/D higher than last year and an about 170 thousand B/D increase in gasoline imports at a time when deliveries rose less than a third the production-plus-imports increase. Distillate stocks rose 8 million barrels, as the seasonal build-up continued.

Operations

5 PERCENTAGE POINTS HIGHER THAN LAST YEAR.

Input to distillation units was up about 216 thousand B/D from June levels and more than twice that amount over year-earlier input. Aided by the roughly 465 thousand B/D year-to-year reduction in operable capacity, refinery utilization rose by more than 5 percentage points over July 1984 levels to a new monthly 1985 high. The recently-released API Refinery Survey indicates that about 1.2 million barrels of total operable capacity was estimated to be either idle or undergoing repairs. Of the remaining roughly 14.4 million barrel capacity in actual operation, about 88 percent is currently being utilized.

(In millions of B/D)	JULY ESTIMATES			YEAR-TO-DATE ESTIMATES		
	1985	1984	% Change	1985	1984	% Change
—Total supply	16.2	16.0	1.1	16.0	16.6	(3.5)
—Crude production[2/]	9.0	8.9	0.8	8.9	8.9	0.6
—Crude oil imports[3/4/]	3.2	3.3	(3.8)	2.9	3.2	(8.5)
—Product imports	1.9	1.8	6.1	1.8	2.1	(12.0)

1/ Total supply, i.e., production plus imports adjusted for net stock change is equal to total products supplied from primary storage. Total products supplied from primary storage less exports is equal to total domestic products supplied. Information contained in this report is derived from information published in the API Weekly Bulletin and is based on historical analysis of the industry. All data reflect the most current information available to the API and include all previously published revisions.

2/ Includes lease condensate.

3/ Beginning with January 1977, the U.S. Department of Energy began reporting crude oil imports as of the date of importation. Previously, this data, with the exception of Canadian crude imports, was reported as of the date it was received at the refinery. This change may affect both the level of crude oil imports and crude oil stocks. API estimates of these data may, therefore, differ slightly from those of the U.S. Department of Energy.

4/ API data do not include crude oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR (according to the U.S. Department of Energy, the SPR held approximately 484 million barrels as of July 31, 1985.

ESTIMATED UNITED STATES PETROLEUM BALANCE

(Daily Average In Thousands of 42 Gallon Barrels)

Products Supplied/Supply From Primary Storage	JULY			YEAR-TO-DATE		
	1985[1]	1984[2]	% Change	1985[3R]	1984[2]	% Change
Products Supplied:						
Total motor gasoline	7,015	6,830	2.7	6,786	6,648	2.1
Finished leaded motor gasoline*	2,557	2,773	(7.8)	2,492	2,780	(10.4)
Finished unleaded motor gasoline*	4,458	4,057	9.9	4,294	3,868	11.0
Naphtha-jet	211	232	(9.1)	217	220	(1.4)
Kerosine-jet	1,004	956	5.0	942	927	1.6
Distillate fuel oil	2,405	2,504	(4.0)	2,893	2,925	(1.1)
Residual fuel oil	1,077	1,192	(9.6)	1,229	1,486	(17.3)
All other oils[4]	3,735	3,978	(6.1)	3,688	3,821	(3.5)
Reclassified[5]	- 230	- 192	19.8	- 226	- 207	9.2
Total domestic products supplied	15,217	15,500	(1.8)	15,529	15,820	(1.8)
Exports	720	536	34.3	756	689	9.7
Total products supplied	15,937	16,036	(0.6)	16,285	16,509	(1.4)
Supply:						
Domestic production:						
Crude oil[6]	8,958	8,885	0.8	8,902	8,853	0.6
Natural gas liquids	1,618	1,634	(1.0)	1,615	1,612	0.2
Other supply[7]	589	449	31.2	702	802	(12.5)
Total domestic supply	11,165	10,968	1.8	11,219	11,267	(0.4)
Imports:						
Crude oil, total	3,190[10/]	3,317[10/]	(3.8)	2,949[10/]	3,223[10/]	(8.5)
Canadian	476	291	63.6	480	331	45.0
Other	2,714	3,026	(10.3)	2,469	2,892	(14.6)
Products, total	1,869	1,761	6.1	1,835	2,086	(12.0)
Residual fuel oil	495	597	(17.1)	503	761	(33.9)
Other	1,374	1,164	18.0	1,332	1,325	0.5
Total imports	5,059	5,078	(0.4)	4,784	5,309	(9.9)
Total supply	16,224	16,046	1.1	16,003	16,576	(3.5)
Stock change, all oils	+ 287	+ 10	XXXX	- 282	+ 67	XXXX
Refinery Operations						
Input to crude oil distillation units	12,659	12,176	4.0	11,996	12,173	(1.5)
Operable capacity	15,619	16,085	(2.9)	15,612	16,106	(3.1)
Refinery utilization (%)[8]	81.0%	75.7%	7.0	76.8%	75.6%	1.6
Crude oil runs	12,483	12,028	3.8	11,855	12,011	(1.3)

Stocks (millions bbls.)	1985		1984[2]	% Change from . . .	
	July 31[9]	June 30[9]	July 31	Previous Month	Year Ago
Crude oil [10/]	323.7	342.7r/	347.9	(5.5)	(7.0)
Unfinished oils	113.4	115.6	106.0	(1.9)	7.0
Total motor gasoline**	228.6	219.2	238.1	4.3	(4.0)
Finished leaded motor gasoline*	79.9	82.4	91.8	(3.0)	(13.0)
Finished unleaded motor gasoline*	113.4	103.2r/	107.9	9.9	5.1
Naphtha-jet	6.8	6.5	6.9	4.6	(1.4)
Kerosine-jet	36.4	36.5	36.8	(0.3)	(1.1)
Distillate fuel oil	117.5	109.8r/	124.4	7.0	(5.5)
Residual fuel oil	41.5	41.1	49.2	1.0	(15.7)
All other oils	178.1	165.7r/	179.9	7.5	(1.0)
Total all oils	1,046.0	1,037.1r/	1,089.2	0.9	(4.0)

1/ Based on API estimated data converted to a monthly basis.
2/ Source: U.S. Department of Energy.
3/ Source: January-May, U.S. Department of Energy, June-July, API.
4/ Includes crude losses.
5/ Beginning with January 1981, U.S. Department of Energy began using a new data collection system which encompasses a method to ascertain the amount of product reclassified during the production phase. So that there will be no double counting of these volumes, they are subtracted from total domestic products supplied.
6/ Includes lease condensate.
7/ Includes Unaccounted-for crude oil, Refinery input of other hydrocarbons, and Processing gain.
8/ Represents "Input to crude oil distillation units" as a percent of "Operable capacity."
9/ Derived by interpolating API weekly stocks data.
10/ Data do not include oil imported for the Strategic Petroleum Reserve (SPR) nor crude oil stocks held in the SPR.
R/ Revised.
* Included in motor gasoline.
** Includes finished leaded, finished unleaded, and motor gasoline blending components stocks.